

Message Text

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ACTION AGRE-00

INFO OCT-01 ARA-06 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02

OPIC-03 SP-02 LAB-04 EPG-02 SIL-01 OMB-01 NSC-05

SS-15 STR-04 CEA-01 L-03 /078 W

-----281105Z 084679 /23

R 271410Z MAY 77

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC 1868

INFO AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

C O N F I D E N T I A L BRASILIA 4307

E.O. 11652: GDS

TAGS: EAGR, XX

SUBJ: U.S. CONCERN OVER REPEATED CHANGES IN BRAZILIAN SOYBEAN
EXPORT POLICY

REF: STATE 120865

1. DURING CALL ON AMBASSADOR CABRAL DE MELLO (CHIEF, FOREIGN MINISTRY'S ECONOMIC DEPARTMENT), MAY 26, ECON/ COMMERCIAL COUNSELOR PRESENTED NON-PAPER SETTING FORTH POINTS REFTEL. AGRICULTURAL ATTACHE WILL MAKE SIMILAR PRESENTATION TO MINISTER OF AGRICULTURE PAULINELLI'S FOREIGN AFFAIRS ADVISOR. FINANCIAL ATTACHE WILL BE PASSING COPY OF NON-PAPER TO MINISTRY OF FINANCE.

2. IN ELABORATING ON NON-PAPER COUNSELOR SAID PRESENTATION REFLECTED CONSIDERABLE CONCERN AT A HIGH LEVEL IN USG REGARDING THE EFFECT OF RECENT BRAZILIAN ACTIONS ON THE WORLD SOYBEAN MARKET, BUT THAT US COMMENTS WERE OFFERED IN A SPIRIT OF COOPERATION AND CONSULTATION. THE INTERESTS AND ACTIONS OF THE TWO DOMINANT SUPPLIERS INEVITABLY WERE INTERDEPENDENT. THIS WAS
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PRECISELY THE KIND OF SITUATION USG HAD IN MIND WHEN IT PROPOSED ESTABLISHMENT OF A TECHNICAL CONSULTATIVE SUBGROUP FOR SOYBEANS, TO WHICH WE HAD SO FAR RECEIVED NO REPLY.

3. BY PRIOR AGREEMENT WITH AGRICULTURAL ATTACHE, COUNSELOR COMMENTED THAT, POSSIBLY IN PART AS A

RESULT OF RECENT ACTIONS, BRAZILIAN PRODUCERS WERE HOLDING SUPPLIES OFF THE MARKET, HOPING FOR HIGHER PRICES -- A PATTERN ALSO FOLLOWED IN CERTAIN PRIOR YEARS. EMBASSY UNDERSTOOD THAT BOTH US AND BRAZILIAN SPECIALISTS GENERALLY EXPECTED A VERY LARGE US CROP, BASED ON ACREAGE PLANTED AND EXCELLENT WEATHER CONDITIONS TO DATE. THE FUTURES MARKET CLEARLY SHARED THIS EXPECTATION OF A LARGE US CROP AND REFLECTS THE EXPECTATION OF SIGNIFICANT REDUCTION IN PRICE LATER IN THE YEAR. WHILE ITS EXPORT STRATEGY WAS EVIDENTLY A MATTER FOR BRAZIL TO DECIDE, US AND BRAZIL IN OUR VIEW SHARED A COMMON INTEREST IN AVOIDING DISRUPTION OR UNCERTAINTIES OF THE MARKET.

4. CABRAL DE MELLO STUDIED THE LIST OF GOB ACTIONS WITH CONSIDERABLE CARE, THEN ASKED FACETIOUSLY WHY THE US DID NOT WISH TO ADOPT A REAL EXPORT POLICY BY INSTITUTING A CONTRIBUTION TAX. COUNSELOR, ALSO FACETIOUS, REPLIED THAT THIS DID NOT SEEM POSSIBLE SINCE BRAZIL'S CONTRIBUTION TAX (ON COFFEE), ACCORDING TO CALAZANS' REASONING, WAS ONLY FOLLOWING, NOT LEADING, THE MARKET. COUNSELOR REITERATED REQUEST FOR GOB'S COMMENTS INCLUDING A REACTION TO US OFFER OF CONSULTATIONS.

5. TONE OF THE MEETING WAS FRIENDLY THROUGHOUT.
CRIMMINS

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Disposition Approved on Date:
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